

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION**

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION FOR THE PURPOSE OF  
CONSIDERING:

APPLICATION OF SAMSON RESOURCES COMPANY,  
KAISER-FRANCIS OIL COMPANY AND CASE NO. 13492 Rehearing  
MEWBOURNE OIL COMPANY FOR  
CANCELLATION OF TWO DRILLING PERMITS  
AND APPROVAL OF A DRILLING PERMIT,  
LEA COUNTY, NEW MEXICO

APPLICATION OF CHESAPEAKE OPERATING, INC.  
FOR COMPULSORY POOLING CASE NO. 13493 Rehearing  
LEA COUNTY, NEW MEXICO

Order No. R-12343-H

**ORDER OF THE COMMISSION**

This matter came before the New Mexico Oil Conservation Commission ("Commission") on October 11, 2007, for rehearing in Santa Fe, New Mexico and the agreement of the parties concerning the resolution of the issues raised by such rehearing. The parties to this proceeding are Chesapeake Operating, Inc., Chesapeake Permian, LLP ("Chesapeake"), Mewbourne Oil Company ("Mewbourne"), Samson Resources Company ("Samson") and Kaiser-Francis Oil Company ("Kaiser").

**A. NATURE OF THE REHEARING:**

(1) The proceeding before the Commission in these combined cases involved:

(a) an application by Chesapeake to force pool acreage in the bottom third of irregular Section 4, T. 21S, R. 35E, NMPM, Lea County, New Mexico to form a lay-down proration unit for the KF "4" State Well No. 1 ("KF-4") comprised of (1) the southeast quarter (geographically, the east half of the south one-third), and (2) the southwest quarter (geographically, the west half of the south one-third); and

(b) an application by Mewbourne seeking to cancel Chesapeake's APD for the KF-4 well, to approve a stand-up proration unit for the well comprised of (1) the southeast quarter as described above, and (2) Lots 9,

10, 15 and 16, being the quarter section immediately north of the southeast quarter and also referred to as "the east half of the middle one-third" of irregular Section 4 and to designate Mewbourne as operator of the well.

(2) On March 16, 2007, the Commission entered Order No. R-12343-E establishing a 640-acre spacing unit for the KF-4 well consisting of the southern 2/3 of irregular Section 4, and designating Samson as operator of the well.

(3) On April 5, 2007 Chesapeake filed an Application for Rehearing which the Commission granted by Order No. R-12343-F, dated April 11, 2007, "to take evidence and testimony on (1) why the Oil Conservation Commission should or should not uphold its establishment of a 640-acre proration unit in the southern two thirds of Section 4, Township 21 South, Range 35 East, NMPM, and (2) which entity should be the operator of the KF-4 Well and any future wells in the proration unit."

B. JURISDICTION

(1) The Commission has jurisdiction over this proceeding pursuant to the Oil and Gas Act, NMSA 1978 §§70-2-1 to 70-2-38.

C. SETTLEMENT

(1) The parties have advised the Commission that they have reached a settlement of all issues presented in these cases which includes acceptance of the Commission's establishment of the 640-acre spacing unit for the KF-4 well as set forth in Order No. R-12343-E, and have entered into a joint operating agreement which establishes the respective division of interests in the unit, designation of operator for the KF-4 well and future wells drilled in the unit and the allocation of past and future costs for drilling and producing the KF-4 well and for drilling and producing future wells.

(2) In addition, the parties have advised the Commission that this settlement resolves the well costs dispute concerning the K-F State 4-1 well now pending before the Division so that it is clear that past costs and the amounts of credit/reallocations are fixed and agreed to and not subject to further objections.

(3) In order to implement this settlement, the parties request that the Commission vacate the October 11, 2007 rehearing and all deadlines associated with such rehearing and modify Order R-12343-E to delete decretal Paragraphs 4 through 17 of such Order.

D. IT IS THEREFORE ORDERED THAT:

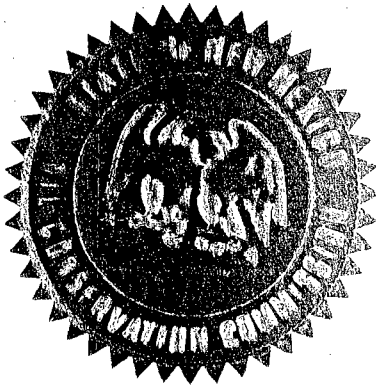
(1) All provisions of Order No. R-12343-E which conflict with the settlement agreement and joint operating agreement among the parties are superseded by the applicable terms of such settlement agreement and joint operating agreement.

(2) The rehearing set for October 11, 2007 and all associated deadlines are hereby vacated and the Commission's Order No. R-12343-E entered March 16, 2007 is hereby modified to delete decretal paragraphs 4 through 17 of such order.

(3) The Commission retains jurisdiction of this matter for the entry of such further orders as may be necessary.

DONE at Santa Fe, New Mexico on this 11<sup>th</sup> day of October 2007.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



JAMI BAILEY, CPG, Member

WILLIAM OLSON, Member

MARK E. FESMIRE, P. E., Chair

SEAL